

~~CONFIDENTIAL~~

5646

CIA HISTORICAL REVIEW PROGRAM
RELEASE AS SANITIZED

1998

19 DEC-1960

MEMORANDUM FOR: Mr. Karl Beckner
Chief, Fuels Division
Office of International Resources
Department of State

SUBJECT: NATO Study, Soviet Petroleum Policy

1. In accordance with your request the following information has been prepared as a contribution to your preliminary report to the NATO Study Group on Soviet Petroleum Policy. A more detailed statement is being prepared and will be forwarded to you by 20 January 1961.

2. In 1965 the Sino-Soviet Bloc's self-sufficiency in petroleum, and its ability to export petroleum, to the Free World will depend primarily on the production of the USSR. The Soviet Seven-Year Plan originally called for the production of 230-240 million metric tons of crude oil in 1965. Recently the Chairman of the Soviet petroleum industry delegation to the US indicated that 1965 production will be at least 250 million metric tons, and other members of the delegation said that the 1965 plan goal of 240 million tons will be exceeded by anywhere from 10 to 20 percent. This would imply a production of 265 to 288 million tons. It is estimated that the Sino-Soviet Bloc will have approximately 50 million metric tons (1 million barrels per day) of petroleum available for export to the Free World in 1965.

3. The estimate was derived on the basis of consideration, for all Sino-Soviet Bloc countries, of such factors as: the extent and quality of petroleum reserves, the estimated 1965 production of petroleum, anticipated domestic consumption (including military requirements), changing patterns of energy supply and demand resulting from increased emphasis on petroleum and natural gas, the relationship between energy consumption (especially consumption of petroleum) and past and probable future general industrial development, capabilities to refine, store, and transport petroleum, changing historical patterns of trade in petroleum, and the needs of the Sino-Soviet Bloc for foreign exchange and imports of capital equipment.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

SUBJECT: NATO Study, Soviet Petroleum Policy

4. In making the estimate of availability for export to the West no attempt was made to allow for variations possible if, for political reasons, the Soviet Bloc should decide to expand exports to the Free World at the expense of consumers in the USSR, the European Satellites, or Communist China. At the present time, petroleum is the largest single earner of foreign exchange for the USSR. While economic considerations may be secondary to political considerations in sales to underdeveloped countries, the reverse is almost certainly true in the industrially developed countries of the world, especially in Western Europe. It is believed that the principal objective of the Soviet Union in Western Europe is to sell petroleum to earn foreign exchange to pay for increased imports of equipment needed to achieve the production goals of the Seven-Year Plan, and that the Soviet interest is primarily in maximizing earnings rather than in pursuing political objectives.

5. It is emphasized that the 50 million tons is an estimate of probable availability of petroleum for export to the West. Soviet ability to develop additional refining capacity, internal transport facilities, tanker lift capacity, and, of course, markets will affect the degree to which the Bloc actually will succeed in exporting this quantity of petroleum.

Assistant Director

~~CONFIDENTIAL~~

31 January 1961

MEMORANDUM FOR: Chief, Economic Research Area

THROUGH: Chief, Materials Division
Acting Chief, Fuels and Power Branch *ABA*

SUBJECT: ORR Support for US Delegate to NATO Oil Study Group

1. This is to inform you of the current status of ORR support of the US Delegate to the NATO Oil Study Group. The US Delegate is Mr. Earl Beckner, Chief, Fuels Division, Office of International Resources, Department of State. Mr. Beckner attended a preliminary meeting of the Study Group in Paris on 9 December 1960. Subsequently, he requested support from CIA and other Government agencies. In response to this request we forwarded to him a report on Soviet Capability to Export Petroleum in 1965 (Project S-626). Also prepared information on the USSR petroleum supply situation for inclusion in the contribution prepared for Mr. Beckner by the Office of Oil and Gas, US Department of the Interior.

2. As CIA has primary responsibility for economic intelligence concerning the Soviet petroleum industry, and I suggested to Mr. Beckner that I might accompany him to the next meeting of the Study Group as an advisor. Mr. Beckner appeared to be pleased with the idea and offered to initiate action in the Department of State that would make this possible. He later informed me that although he had tried to obtain the necessary approval "the opposition on the political side was so great" that nothing could be done.

~~CONFIDENTIAL~~